

**TD**

Distr.:
GENERAL
TD/S/SR.468
15 August 1977
FRENCH
Original: ENGLISH

United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Seventeenth Session (First Part)

OFFICIAL RECORD OF THE SEVENTH MEETING

1977, Geneva, 1-3 September, at 11.00 a.m.

Presided by: Mr. J. S. G. (S. G. G.)

CONTENTS

Organization of work (continued)

Interdependence of problems of trade, development, finance and the international monetary system (agenda item 2)

Other particular matters in the field of trade and development (agenda item 6):

(a) Progress in the implementation of:

- (i) Special measures in favour of the least developed among the developing countries
- (ii) Specific action related to the particular needs and problems of inland developing countries
- (iii) Specific action related to the particular needs and problems of land-locked developing countries

This record is subject to correction.

Participants wishing to make corrections should submit them in writing to the Official Records Editing Section, room E.4146, Palais des Nations, Geneva, within one week of receiving the record in their working language.

Corrections to the records of the meetings of the Board at the first part of the seventeenth session will be consolidated in a single corrigendum to be issued shortly after the end of that part of the session.

Net annual borrowing of developing countries, excluding oil exporters, from private capital markets was expected to remain close to \$10 billion but the ratio of debt service payments to export earnings was expected to increase from 18 per cent in 1976 to about 29 per cent in 1978.

16. That outlook clearly indicated an urgent need for policy measures to avert a new slow-down in the world economy. A general decline would be a serious matter for the international community. The events of 1974/1975 showed that a general downward movement could become self-reinforcing, and it could not be assumed that the counter-cyclical action exerted by capital markets during the past recession could be repeated. It was, in fact, doubtful whether countries with current account deficits could again offset the effects of world recession through external financing, since several of them had already reached the limits considered prudent by capital markets. A new down-turn might therefore not only adversely affect income and employment levels but might produce strains in the areas of international finance and trade policies. Fortunately, these disturbing prospects for the world economy were not inevitable: there were policies by which Governments could avert the dangers of a new recession and re-establish full employment and economic growth.

17. It was in that spirit that, in the report under consideration, the secretaries had singled out five areas for priority consideration by the Board: demand management, the balance-of-payments adjustment process, trade policies, international price stability, and investment.

18. Weak demand appeared increasingly to be the most important single factor clouding the outlook for 1978 and 1979. The problem of demand management might be studied from three viewpoints. First, there might be a reflation of the world economy through measures of stimulation in developed countries with a current account surplus. Such a policy would be unlikely to cause a new wave of inflation, since there was at present ample spare capacity and the prices of many commodities either remained low or were falling. Secondly, it was increasingly evident that the important demand of developing countries was an essential element of world demand and world trade, so that measures for increasing the purchasing power of developing countries' exports would not only be useful for those countries but would also have a powerful counter-cyclical effect at the world level. Commodity price stabilization would not only benefit the exporters of the products concerned but would help to balance world economic relations. Lastly, public capital contributions to the developing countries had a part to play in demand management by compensating for the loss in the purchasing power of their exports. Public fund contributions, however, depended heavily on budget allocations in donor countries, and it appeared on the whole that disbursements did not have a counter-cyclical effect but moved rather in the direction of the economic cycle. Measures designed to speed up such disbursements could greatly help to sustain world demand, and it was from that point of view that the proposal for waiving debt repayments on official loans to the most seriously affected countries for a specific period should be considered. Some developed countries were prepared to accept that proposal, while others were more wary. Other measures having the same effect as debt relief might be considered for speeding up the net transfer of resources from developed to developing countries.

19. With regard to the balance-of-payments adjustment process, it was known that international payments had recently been characterized by large and apparently persistent imbalances. The floating of exchange rates had certainly helped to relieve those imbalances, but that remedy had soon proved to be insufficient for making the necessary adjustments in the world economy. Moreover, it was generally admitted that much of the disequilibrium could not and should not be corrected solely by means of deflationary policies applied in deficit countries and that it was necessary to have recourse to financing on appropriate conditions. Official balance-of-payments support facilities seemed to play only a secondary role, and increasing application was being made to private capital markets for financing the exceptional deficits of a number of countries. There was therefore a danger that the majority of developing countries, which did not have access to private capital markets, would be excluded from financing. A further danger was that market sentiment with regard to credit-worthiness might change abruptly, and it was quite possible that lenders anticipating a down-swing might withdraw their funds at the very moment when the deficit countries were in greatest need of them. The time had come, therefore, to reconsider the question of creation of international liquidity and its distribution and the means through which Special Drawing Rights (SDRs) would become the central reserve of the international monetary system.

20. During the 1974-1975 recession, the developed countries had generally avoided recourse to protectionist measures, but the hesitant nature of the recovery had recently given rise to the application of some of them. Protectionist policies would not only be doomed to failure, but would also be discriminatory, since with their main objective of protecting domestic employment they tended to discriminate against trade in labour-intensive products, in which the developing countries enjoyed a comparative advantage. That was a real danger, and Governments should renew their commitment to avoid any restrictive policy and begin to consider the possibility of developing a sufficiently open, symmetrical and equitable framework for international co-operation.

21. The problem of price instability at the international level was far from being solved, since the appropriate mix of policies varied from country to country and according to the origin of the inflationary pressures. Moreover, the solution could not be found simply in domestic management; it would have to encourage control of complex interactions between national economies and international markets, and in particular of the interdependence between price instability at the global level and instability in primary commodity markets. It was noted, for example, that price rises for commodities had, with a certain lag, been passed on in increased prices for manufactures, while falls in commodity prices had rarely been followed by depressed prices for manufactures. Thus, any rise in commodity prices had been manifested in higher prices throughout, and that had restrained Governments from allowing output to be maintained at its maximum possible level. To be effective, efforts to help in international economic stabilization must include measures to stabilize and improve commodity markets. That was one of the objectives of the Integrated Programme for Commodities, and in particular of the financing of buffer stocks through a common fund.

22. There was general stagnation in the investment sector, both in developing and in developed countries. The situation in developing countries was the result of shortfalls in the purchasing power of exports and stagnation in net flows of official development assistance, while its causes in developed countries were a subject of great controversy. In any event, the problem deserved priority attention at the international level in view of its influence on the long-term prospects for the world economy and world trade.

23. Mr. KURDI (Saudi Arabia) emphasized the extreme importance of the question of the interdependence of problems of trade, development finance and the international monetary system, and wondered whether it would not be advisable to defer consideration of it so that delegations could make a detailed study of the relevant reports of the secretariat (TD/B/665 and Add.1 (parts I and II)), which had been circulated at a late hour.

24. Mr. IALOWIC (Yugoslavia) said that the excellent statement by the Director of the Division had shown that the Board should resolutely tackle world economic problems and, in particular, those of the developing countries. His delegation attached great importance to the Board's activities concerning the interdependence of problems of trade, development finance and the international monetary system and felt that UNCTAD was the proper body to deal with them. It was therefore necessary to determine what was, in practice, the best way of keeping the question under study and achieving co-ordinated solutions.

25. The meeting of government experts responsible for studying the question had been postponed until 12 December, so that the Board at its current session did not have the benefit of the findings and decisions of the experts, and any suggestions should be addressed to the Board itself.

26. The analysis of certain problems and the world economic outlook (TD/B/665 and Add.1) showed the lines along which general policy decisions should be taken. The discussion should not be too general and should cover specific questions of particular interest to the developing countries. Account should also be taken of the work done by different bodies on different occasions, and consultations should be held with them.

27. Consideration might be given to decisions aimed at assigning new tasks to existing committees or other bodies or at setting up ad hoc committees for specific projects. A rapid study should also be made of certain problems which must be solved in the near future.

OTHER PARTICULAR MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT (agenda item 6)

PROGRESS MADE IN THE IMPLEMENTATION OF:

- (i) SPECIAL MEASURES IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES
- (ii) SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF ISLAND DEVELOPING COUNTRIES
- (iii) SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LAND-LOCKED DEVELOPING COUNTRIES (agenda item 6 (a))
(TD/B/AC.21/2 and 3)

28. The PRESIDENT informed the Board that the Secretary-General of UNCTAD intended to convene an ad hoc group of experts in the near future to study different questions whose solution would help to improve growth and prosperity in the least developed among the developing countries.

29. With regard to island developing countries, the General Assembly, in resolution 31/156, had invited the executive heads of the organizations concerned within the United Nations system to continue their efforts on behalf of those countries and had urged all Governments to lend their support for the specific action envisaged in that respect. In conformity with resolution 31/156, paragraph 3, the Secretary-General of the United Nations had prepared a progress report (A/32/126) which was to be presented to the General Assembly.

30. Concerning the land-locked developing countries, the Secretary-General of UNCTAD, in conformity with Conference resolution 98 (IV), paragraph 96, had undertaken pilot studies to evaluate transit costs. The results of those studies, as well as new recommendations for action in favour of land-locked developing countries, would be presented to the Board at one of its sessions in the near future.

31. Mr. PANT (Secretariat) emphasized the importance of some of the activities carried out in favour of the three categories of countries in question. In conformity with resolution 98 (IV), paragraph 96, the Secretary-General of UNCTAD would convene an ad hoc group of experts to study improved methods for expanding the exports of the least developed countries and to ensure their more efficient procurement of imports. It would meet in February 1978. In addition, a group of experts would meet from 13 to 21 October 1977 to study the problems of feeder and inter-island transport operations of developing island countries. For the land-locked developing countries, the UNCTAD secretariat had undertaken the initial pilot costing studies of transit costs in application of resolution 98 (IV), paragraph 96. The General Assembly had approved the statutes of the Special Fund for land-locked developing countries. An initial pledging conference would be held in New York in November 1977.

32. Mr. AHMAD (Bangladesh) said that, in his opinion, the documentation presented to the Board showed that the secretariat had already taken certain steps which, though important, applied only to certain items. In resolution 98 (IV), however, which dealt with special measures to be taken in favour of three categories of countries, the Conference had asked the Secretary-General of UNCTAD to keep the progress in the implementation of those measures under constant review and report on them to the Board. The documents which had been presented were interesting, but several points mentioned in resolution 98 (IV) might perhaps deserve more attention, in particular sections D, E and F. It was likely that delegations of the countries belonging to one of the three categories mentioned would wish to reflect on those questions and make comments. It would therefore be better not to close the debate on that agenda item.

33. Mr. TARZI (Afghanistan) supported the comments made by the representative of Bangladesh.

The meeting rose at 12.55 p.m.